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**Statement by Mr. Mozhin and Mr. Lissovolik on Strengthening IMF-World Bank
Collaboration on Country Programs and Conditionality
(Preliminary)
Executive Board Meeting 04/26
March 17, 2004**

We thank the staff for a focused paper on Bank-Fund collaboration. As is clear from the staff report, this area has benefited from a concerted effort on the part of both institutions to streamline mutual cooperation. We generally welcome the measures advanced in the staff report in this area and will confine ourselves to what we see as the key issues for the cooperation of the two institutions in the short- to medium-term.

One of the recurring themes in the discussions on Bank-Fund cooperation has to do with the need to avoid duplication in the operation of the two institutions. In this respect, the evidence provided in Box 5 of the staff report is encouraging in that the conditionality applied by the Fund and the Bank in low-income countries (LICs) is increasingly concentrated in the core areas of expertise of the Bank and the Fund. This, however, is not progressing without certain difficulties as is evidenced by the results of the survey, which shows growing concerns with respect to the coverage of conditionality in the respective programmes. Accordingly, even greater attention will need to be paid to the process of streamlining conditionality and the transfer of conditionality from the supervision of one institution to another during country reviews at the Executive Boards of the Bank and the Fund.

The results of the surveys alluded to above while subject to certain methodological caveats present important insights into the evolving patterns of Bank-Fund cooperation. They will need to be studied in detail in order to address not only those short-comings that have come to be readily recognizable, but to analyze some of the perplexing results arising from these surveys. In particular, one may wonder why the increase in the shared perspective on reforms of Bank and Fund teams, or the rise in the clarity in the division of labor did not contribute to improvements on such issues as “the coverage of important reform areas”, “the time-table for reforms” or the “enforcement of conditionality”?

One of the important results emerging from the surveys is the centrality of ownership of economic reforms on the part of the countries’ authorities for strengthening and rationalizing Bank-Fund collaboration. Indeed, while the bulk of the work in this area is of course with the two Bretton Woods institutions themselves, a lot of it will be facilitated by strong leadership exhibited by country authorities in devising their reform agenda. The implication for the Fund and the Bank is that country ownership should serve to guide the efforts of the two organizations in bolstering their involvement in member countries.

The staff report provides an important distinction in the patterns of collaboration in low-income and middle-income countries (MICs). Given the absence of a formal collaborative framework for the latter, the two organizations become particularly prone to the pitfalls of different time-frames and preferences. Also, with regard to MICs we note that the greater the asymmetry in the conditionality and preferences on the part of the two organizations, the greater will be the risk of “institution shopping”, which may give rise to adverse selection with respect to the exigencies facing the economies of member countries.

Growing divergence in the activities of the Bank and the Fund is not necessarily bad for the collaboration of both institutions, for it expands the scope for complementarities to be exploited by the two Bretton Woods institutions. For example, in the policy sphere, there may be implications of the on-going decentralization of Bank operations via regional country offices for Bank-Fund division of labor. With the Bank gaining a better sense of country-specific problems in the field, there is effectively more scope for complementary perspectives and inputs in devising a common approach to economic reform in a specific country. At the same time such divergence also raises the need for greater coordination between the Fund and the Bank. Another example is the outreach of the two organizations to the NGOs and civil society, including the parliamentarians, with the World Bank having made relatively greater advances in this sphere and hence being in a position to share its experience and tools with its Bretton Woods counterpart.

Overall, given the divergence in culture and mandates, there will inevitably be some difference with regard to the speed and the composition of adjustment targeted by the two organizations. The dynamism of the world economy is also likely to affect the realm of what is macro-relevant for individual member countries, which constrains the taming of the differences between the two organizations solely through a rules-based framework. In this respect we welcome the re-establishment of the Joint Implementation Committee (JIC) as a vehicle that would address the ad hoc component of the rationalization of Bank-Fund cooperation. Like other Directors, however, we believe that the JIC should be lean and very focused on a narrow and well-targeted set of issues. Taking stock of the lessons drawn from the Committee’s past experience should help to avoid the creeping expansion in mandates and staffing.

In conclusion, like Mr. Kremers, we would encourage the staff to provide a brief overview (perhaps in a Box or a separate annex at the end of the report) on the cooperation of the Fund and the Bank with other international organizations. In particular we see some merit in clarifying the role of other international organizations in the process of Fund and Bank collaboration on thematic issues (such as PSIA – reference to “other development partners” is made in para 59). Given the recent developments in such areas as AML/CFT and trade, some perspective on the cooperation with FATF and the WTO, as well as the effects this may have on Bank-Fund cooperation, would also be welcome in the future. Furthermore, we wonder whether there are any perspectives to be derived from the cooperative experience of other international organizations that may be gleaned for Bank-Fund collaboration.